

Message Text

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41

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 L-03 H-03 PA-03 PRS-01 USIA-15 AGR-20 HEW-08

DOT-00 DRC-01 /191 W

----- 072289

R 121420Z SEP 73

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 6732

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

UNCLAS HELSINKI 2416

E.O. 11652: N/A

TAGS: EFIN, ECON, FI

SUBJECT: FINLAND'S NATIONAL BUDGET FOR 1974

BEGIN SUMMARY. THE PROPOSED NATIONAL BUDGET FOR 1974 SUBMITTED TO PARLIAMENT ON SEPTEMBER 7 TOTALS FMK 17,127 MILLION (\$4.63 BILLION AT CURRENT EXCHANGE RATE), 14.3 PERCENT HIGHER THAN LAST YEAR'S APPROVED BUDGET FIGURE. FINANCE MINISTER HAS DESCRIBED BUDGET AS OBSERVING "RESTRAINED EXPENDITURE POLICY". ALLOWING FOR PRICE AND WAGE INCREASES, THE BUDGET CONSTITUTES A REAL INCREASE OF EXPENDITURES OF ABOUT 3.0 - 4.0 PERCENT. BUDGET ASSUMES SOME SLOW-DOWN IN RISING TREND OF ECONOMIC ACTIVITIES AND FOREIGN TRADE, A SLIGHT REDUCTION IN UNEMPLOYMENT, A BETTER PERFORMANCE ON CONTROL OF INFLATION, A 7.0 PERCENT RISE IN PRIVATE INVESTMENT, AND TAX REVISIONS TO LIGHTEN BURDEN ON LOWER INCOME GROUPS.

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REVENUE INCLUDES LONG-TERM BORROWINGS DOMESTICALLY

AND FROM ABROAD OF ABOUT FMK 6000 MILLION (\$162 MILLION).
ON BALANCE, THE BUDGET CONTAINS NO REAL SURPRISES.
ITS IMPACT IS EXPECTED TO BE ONE OF SLIGHTLY RESTRAINING
THE ECONOMY AT SAME TIME INCREASED SUPPORT WILL BE
GIVEN TO EXPORTS AND TO INDUSTRIAL DEVELOPMENTS IN
DEVELOPING AREAS OF FINLAND. END SUMMARY.

1. THE NATIONAL BUDGET FOR CALENDAR YEAR 1974 SUBMITTED
TO THE PARLIAMENT ON SEPTEMBER 7 PROVIDES FOR EXPENDITURES
TOTALING FMK 17,127 MILLION (FMK 3.69 EQUAL U.S.
DOLLAR ON SEPTEMBER 11), AN INCREASE OF 14.3 PERCENT
OVER THE 1973 APPROVED BUDGET. FINANCE MINISTER
VIROLAINEN DESCRIBES BUDGET AS ONE OBSERVING
"RESTRAINED EXPENDITURE POLICY" AND PRIME MINISTER
SORSA DESCRIBES IT AS A BUDGET INTENDED TO "SECURE
A BALANCED ECONOMIC GROWTH DURING THE FORTHCOMING
CYCLICAL FLUCTUATIONS."

2. ESSENTIAL FEATURES OF BUDGET FOLLOWS:

A. ASSUMPTIONS INCLUDE: GROSS DOMESTIC PRODUCT (GDP) TO RISE BY
5.0 PERCENT AS AGAINST AN ESTIMATED 6.0 PERCENT THIS YEAR; BOTH
EXPORTS AND IMPORTS TO SLOW DOWN SOMEWHAT FROM THIS YEAR TO
ABOUT 17 PERCENT FOR EXPORTS AND 20 PERCENT FOR IMPORTS; THE
ESTIMATED TRADE DEFICIT OF FMK 2.0 BILLION THIS YEAR TO BE
REPEATED IN 1974; PRIVATE INVESTMENT TO RISE BY ABOUT 7.0
PERCENT BUT OVERALL INVESTMENT RATE WILL BE ROUGHLY EQUAL
TO THIS YEAR; INDUSTRIAL OUTPUT TO RISE BY 7.0 PERCENT AS AGAINST
8.0 PERCENT IN 1973; A RISE IN CONSUMPTION TO BE ABOUT 5.5
PERCENT, OR ROUGHLY THE CURRENT RATE; PRICE INFLATION TO DE-
CLINE SOMEWHAT FROM THIS YEAR (DECEMBER 1972 TO DECEMBER 1973
CONSUMER PRICES ARE ESTIMATED TO RISE BY 12.5 PERCENT);
MONEY MARKETS WILL REMAIN TIGHT IN 1974; AND UNEMPLOYMENT
TO DECLINE FROM 2.3 PERCENT TO 2.0 PERCENT.

B. BUDGETED REVENUE WILL RISE IN KEEPING WITH EXPENDITURES
BUT TAX REVISIONS ARE CONTEMPLATED TO REDUCE THE BURDEN ON
LOWER INCOME GROUPS. THUS FMK 600 MILLION IN REVENUE WILL
BE FROM LONG-TERM BORROWINGS BOTH DOMESTIC AND FOREIGN. AT
SAME TIME, CHARGES AND FEES FOR POSTAL, RAILROAD, TELEPHONE, AND
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OTHER SERVICES WILL BE RAISED BY 10-15 PERCENT.

C. EXPENDITURE DATA BY MINISTRIES SHOW INCREASES FOR ALL OF
THEM WITH SOCIAL AFFAIRS AND HEALTH, EDUCATION, TRANSPORTATION,
AND INTERIOR ACCOUNTING FOR THE LARGEST PORTION. OUTLAYS ARE
RAISED FOR CHILD ALLOWANCES, SOCIAL SECURITY, NURSEY HOMES,
SCHOOL REFORM AND EDUCATIONAL SUPPORT, SUPPORT FOR AUTOMATION
OF TELE-COMMUNICATIONS NETWORK, AND HIGHWAY MAINTENANCE, HOUSING

CONSTRUCTION, STRENGTHENING OF THE POLICE FORCE, CIVIL DEFENSE AND ASSISTANCE TO MUNICIPALITIES. FOREIGN AFFAIRS MINISTRY RECEIVED AN EXPENDITURE BOOST OF 30 PERCENT TO ESTABLISH THE POST OF AMBASSADOR IN INDONESIA, TO SEND A HIGH-RANKING CIVIL SERVANT TO HANOI, TO INCREASE NETWORK OF COMMERCIAL ATTACHES ABROAD, TO EXPAND DEVELOPMENT ASSISTANCE BY 36 PERCENT, ETC. MINISTRY OF AGRICULTURE RECEIVED A SLIGHT INCREASE IN FUNDS BUT HIGH INTERNATIONAL PRICES FOR AGRICULTURAL PRODUCTS PERMITTED SOME REDUCTION IN SUPPORT MONEY FOR EXPORTS. MINISTRY OF TRADE AND INDUSTRY RECEIVED ADDITIONAL FUNDS TO SUPPORT INDUSTRIAL DEVELOPMENT IN CENTRAL FINLAND, TO INCREASE CAPITALIZATION OF SEVERAL STATE-OWNED FIRMS, TO FINANCE PURCHASE OF THE DC-10-30 AIRCRAFT FOR FINNAIR AND TO EXPAND INDUSTRIAL RESEARCH. INTERESTINGLY, NO FUNDS ARE PROVIDED FOR THE THIRD NESTE BY PETROLEUM REFINERY PLANT, THE CONSTRUCTION AND LOCATION OF WHICH HAVE BEEN UNDER RECENT DISPUTE.

3. COMMENTS. COMMENTS FROM INDUSTRIAL AND COMMERCIAL SPOKESMEN HAVE BEEN GENERALLY MILD WITH CRITICISMS DIRECTED AT UNHAPPINESS OVER THE PROPOSED TAX REVISIONS WHICH WILL BEAR MORE HEAVILY ON BUSINESS. FEDERATION OF FINNISH INDUSTRIES SPOKESMAN SAID 1974 BUDGET WAS MORE REALISTIC THAN THIS YEAR'S BUDGET. COMMUNIST REPRESENTATIVES HAVE DESCRIBED THE BUDGET AS BEING "CAPITALISTIC" WHILE THE EDITORIALS IN SOCIAL DEMOKRATTI AND CENTRAL PARTY SUOMENMAA DESCRIBED THE BUDGET AS BEING "BALANCED, HARMONIOUS AND REALISTIC." ALTHOUGH BUDGETED EXPENDITURES RISE SUBSTANTIALLY THE REAL INCREASE, ADJUSTING FOR PRICE AND WAGES, IS ESTIMATED TO BE AROUND 3.0 - 4.0 PERCENT OR LESS THAN THE ESTIMATED GAIN IN GDP OF 5.0 PERCENT. THE INTENT OF THE BUDGET IS TO BE SLIGHTLY RESTRAINING ON THE ECONOMY AT THE SAME TIME EXPORTS AND INDUSTRIAL DEVELOPMENTS IN DEVELOPING AREAS ARE TO BE SUPPORTED. ON BALANCE, THE NEW BUDGET PROPOSAL CONTAINS NO SPECIAL SURPRISES.

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